

ASSEMBLY BILL

No. 1104

Introduced by Assembly Member Aghazarian

February 23, 2007

An act to amend Sections 14030.1, 14034, and 14075 of the Corporations Code, relating to small businesses, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1104, as introduced, Aghazarian. Small Business Expansion Fund.

The California Small Business Financial Development Corporation Law authorizes the formation of small business financial development corporations to grant loans or guarantees for the purpose of stimulating small business development. The California Small Business Expansion Fund, which is created under the law and is continuously appropriated, specifies that all or a portion of the funds may be paid out to a lending institution that will act as trustee of the funds. Existing law provides for the expansion fund and the trust fund to be used to pay for defaulted loan guarantees and administrative costs of these corporations. Existing law authorizes a corporation, in an area declared to be in a state of emergency by the Governor, to provide loan guarantees from specified allocated funds to small businesses, small farms, nurseries, and agriculture-related enterprises that have suffered as a result of the disaster.

This bill would extend that authority to a corporation in an area affected by a state of emergency within the state and declared a disaster by the President of the United States, or by the Administrator of the United States Small Business Administration, or by the United States

Secretary of Agriculture. Because the fund is continuously appropriated, the bill would thereby make an appropriation.

Existing law authorizes the Executive Director of the Small Business Expansion Fund to request a trustee of a trust fund to invest funds in securities issued by the United States Treasury.

This bill would modify that provision by specifying certain securities including, but not limited to, bonds and notes of this state as well as those of the federal government.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14030.1 of the Corporations Code is
2 amended to read:
3 14030.1. (a) There is hereby created in the State Treasury the
4 Small Business Disaster Recovery Loan Loss Reserve Account,
5 as part of the expansion fund. This account shall be used to pay
6 for unrecovered losses resulting from loan guarantees issued
7 pursuant to subdivision (a) of Section 14075 and subdivision (b)
8 of this section and disaster loan guarantees issued prior to the
9 effective date of this section that are in default. Any lending
10 institution that issues a low-interest loan that is guaranteed by
11 resources in this account shall be fully reimbursed for the
12 guaranteed portion of principal and interest that result from a loan
13 or loans that are in default. If there are insufficient funds in this
14 account to fully satisfy all claimants, the full faith of the resources
15 in the General Fund are pledged to satisfy the obligations of this
16 account. This account may only guarantee as much loan dollar
17 value as is specifically authorized by the Director of Finance with
18 the concurrence of the Governor. This account shall receive all
19 moneys transferred pursuant to Section ~~14037.6~~ 14037.5, and any
20 unencumbered balances transferred to the California Small
21 Business Expansion Fund pursuant to Chapters 11 and 12 of the
22 Statutes of 1989, First Extraordinary Session, and Chapter 1525
23 of the Statutes of 1990, as of July 1, 1992.
24 (b) The Governor should utilize this authority to prevent
25 business insolvencies and loss of employment in an area affected
26 by a state of emergency within the state and declared a disaster by
27 the President of the United States, *or* by the Administrator of the

1 United States Small Business Administration, or by the United
2 States Secretary of Agriculture or declared to be in a state of
3 emergency by the Governor of California.

4 SEC. 2. Section 14034 of the Corporations Code is amended
5 to read:

6 14034. The director at his or her discretion, with the approval
7 of the Director of Finance, may request the trustee to invest those
8 funds in the trust fund in *any of the securities issued by the*
9 ~~Treasury of the United States government~~ *described in Section*
10 *16430 of the Government Code*. Returns from these investments
11 shall be deposited in the expansion fund and shall be used to
12 support the programs of this part.

13 SEC. 3. Section 14075 of the Corporations Code is amended
14 to read:

15 14075. (a) A corporation may, in an area *affected by a state*
16 *of emergency within the state and declared a disaster by the*
17 *President of the United States, or by the Administrator of the*
18 *United States Small Business Administration, or by the United*
19 *States Secretary of Agriculture or declared to be in a state of*
20 *emergency by the Governor of California*, provide loan guarantees
21 from funds allocated in Section 14037.5 to small businesses, small
22 farms, nurseries, and agriculture-related enterprises that have
23 suffered actual physical damage or significant economic injury as
24 a result of the disaster.

25 (b) The agency may adopt regulations to implement the loan
26 guarantee program authorized by this section. The agency may
27 adopt these regulations as emergency regulations in accordance
28 with Chapter 3.5 (commencing with Section 11340) of Part 1 of
29 Division 3 of the Government Code, and for purposes of that
30 chapter, including Section 11349.6 of the Government Code, the
31 adoption of the regulations shall be considered by the Office of
32 Administrative Law to be necessary for the immediate preservation
33 of the public peace, health and safety, and general welfare.
34 Notwithstanding subdivision (e) of Section 11346.1 of the
35 Government Code, the regulations shall be repealed within 180
36 days after their effective date unless the agency complies with
37 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
38 3 of the Government Code, as provided in subdivision (e) of
39 Section 11346.1 of the Government Code.

- 1 (c) Allocations pursuant to subdivision (a) shall be deemed to
- 2 be for extraordinary emergency or disaster response operations
- 3 costs incurred by the agency.

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